33328 SERVICE DATE - JANUARY 31, 2003
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SURFACE TRANSPORTATION BOARD

DECISION

STB EX PARTE NO. 290 (SUB-NO. 4)
RAILROAD COST RECOVERY PROCEDURES-PRODUCTIVITY ADJUSTMENT

Decided: January 24, 2003

We propose to adopt 1.019 (1.9% per year) as the measure of average change in railroad productivity for the 1997-2001 (5-year) averaging period. We currently use a value of 4.2% that was developed for the 1996-2000 period.

Since 1989, the cost recovery procedures have required that the quarterly rail cost adjustment factor (RCAF) be adjusted for long-run changes in railroad productivity. The ICC Termination Act of 1995 continues this requirement (49 U.S.C. 10708, as revised). The long-run measure of productivity is computed using a 5-year moving geometric average.[1]

Productivity change for the year 2001 is 1.016 (a decrease of 5.8% from the prior year) based on changes in input and output levels from 2000.[2] Incorporating the 2001 value with the values for the 1997-2000 period produces a geometric average productivity growth of 1.019 for the 5-year period 1997-2001, or 1.9% per year. This is 2.3% lower than the value developed for the 1996-2000 5-year period currently used. A detailed discussion of our calculations is contained in the Appendix to this decision.

Comments may be filed addressing any perceived data and computational errors in our calculation. Any party proposing a different estimate of productivity growth must, at the time it files comments, furnish the Board with one set of detailed work papers and documentation underlying its calculations. The same information must be made available to other parties upon request.

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[1] Productivity Adjustment-Implementation, 9 I.C.C.2d 1072 (1993).

[2] In 2002, the STB required CSX Transportation (CSXT) to amend their 2001 Annual Report to include the expenses and operational statistics for CSX Intermodal (CSXI) traffic carried by CSXT. In order to maintain a consistent data base for the calculation of the productivity trend, we also required CSX Transportation to file amended expense and revenue ton-mile data for the years 1996 to 2000. The 5-year productivity value for 2002 is calculated using the amended data.

ENVIRONMENTAL AND ENERGY CONSIDERATIONS

This decision will not significantly affect the quality of the human environment or the conservation of energy resources.

REGULATORY FLEXIBILITY ANALYSIS

Pursuant to U.S.C. 605(b), we conclude that our action in this proceeding will not have a significant economic impact on a substantial number of small entities. No new regulatory requirements are imposed directly or indirectly on such entities. The purpose of our action in this proceeding is to update the data used to measure railroad productivity changes. Reporting requirements remain unchanged. The economic impact on small entities, if any, is not likely to be significant within the meaning of the Regulatory Flexibility Act.

AUTHORITY: 49 U.S.C. 10708, as revised.

It is ordered:

1. Comments are due by 15 days after the date of this order.

2. An original and 10 copies must be filed with:

Office of the Secretary
Case Control Branch
Surface Transportation Board
Washington, D.C. 20423-0001

3. Comments must be served on all parties appearing on the current service list.

4. Unless a further order is issued postponing the effective date, the productivity adjustment will become effective 30 days after the date of service.

By the Board, Chairman Nober, Vice Chairman Burkes, and Commissioner Morgan.

Vernon A. Williams
Secretary

APPENDIX

The following is a description of the methodology currently used to calculate the RCAF productivity adjustment.[3] The annual rate of productivity change is calculated by dividing an output index by an input index.

The input index uses constant dollar-adjusted expenses. The inputs in this index – freight expenses, fixed charges and contingent interest – are stated on a constant dollar basis using the most recent year as the base, and updating the base by the Series RCR Index published by AAR. Freight expenses, fixed charges, and contingent interest were obtained from railroad Annual Report (Form R-1) data. The constant dollar adjustment factor for each of the five years was calculated by dividing the 2000 RCR index value (303.4) by the RCR index values for 1997 and each subsequent year through 2000, inclusive. Because 2001 is the last year in the trend, no constant dollar adjustment was needed for that year. The calculation of the input indices and values used are shown in Table A.

The 2001 output index was developed from the costed waybill sample, a commonly used data source. The costed waybill sample excludes movements originating in Canada and Mexico and movements lacking sufficient information for the application of unit costs.

Using the costed waybill sample as a base, each movement is assigned to one of the 189 segments or categories used to develop the output index. Segmentation is based on three mileage blocks, seven car types, three weight brackets, and three shipment sizes. The output index is a composite of the year-to-year change in ton-miles for each of the 189 segments weighted by each segment's base-year share of total revenues.

The change in productivity is calculated by dividing the output index by the input index. The multi year average for the period 1997-2001 is calculated by taking a geometric average. The growth in productivity over the period 1997-2001 is 1.019 (1.9% per year). The input index, the output index, the annual productivity change, and the calculation of the 1997-2001 average are shown in Table B.

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[3] The development and application of the productivity adjustment is explained in the decision in this proceeding found at 5 I.C.C.2d 434.

Table A
Calculation of Input Indices
1997-2001[4]

Year	Total Expense Unadjusted (000's) (1)	RCR Indices 1996-2001 (2)	Total Expense Constant Dollars (000's) (2001 Levels) (3)	Input Index Column (3) 1997/1996 etc. (4)
1996	27,516,772	263.0	$31,743,683	xxxxx
1997	28,479,279	267.1	$32,349,731	1.019
1998	29,401,587	270.9	$32,928,909	1.018
1999	29,557,600	270.3	$33,177,121	1.008
2000	30,751,071	295.0	$31,626,695	0.953
2001	30,215,650	303.4	$30,215,650	0.955

Table B
Comparison of Output, Input, and Productivity
1997-2001

Year	Output Index (1)	Input Index (2)	Productivity Change Col (1)÷Col (2) (3)
1997	1.008	1.019	0.989
1998	1.006	1.018	0.988
1999	1.032	1.008	1.024
2000	1.029	0.953	1.080
2001	0.971	0.955	1.017

[4] The data used to calculate the 1997 to 2001 productivity trend includes CSX Intermodal for the year 1996 to 2001.

The proposed 5-year (1997-2001) productivity trend calculated using a geometric average is 1.019, or 1.9% per year.